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5-0100.00 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

5-0110.00 INTRODUCTION

The 1989 legislature passed House Bill 16 which requires that school districts maintain accounting systems based on generally accepted accounting principles (GAAP) and that the Superintendent of Public Instruction adopt rules necessary to implement this requirement. The Superintendent of Public Instruction is authorized to supervise public school financial administration and is required to adopt rules establishing requirements for budgeting and financial administration of public school districts, including accounting and reporting requirements.

This legislation requires the Superintendent of Public Instruction to supervise public school financial administration, including budgeting, accounting and reporting and to provide training, forms and assistance as necessary.

The new legislation also provides that the Board of Public Education may order state and/or county equalization aid withheld from a school district which fails to submit reports or budgets as required by law or rules adopted by the Board of Public Education.

Schools are not required to purchase computer equipment or standard accounting software.

05-0110.10 AUTHORITATIVE SOURCES OF GAAP

The governmental environment differs markedly from that of business enterprises. Governmental accounting systems and reports and the information they provide will differ accordingly. Thus, a set of generally accepted accounting principles (GAAP) applicable to governmental accounting and reporting has been developed for use by governmental units. These accounting principles are designed to enhance fiscal control, facilitate compliance with GAAP and finance-related legal and contractual requirements and result in financial statements and reports that fulfill many user information needs. GAAP provide uniform minimum standards of and guidelines for financial accounting and reporting. GAAP encompass the conventions, rules and procedures necessary to define accepted accounting practices at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures.

The primary authoritative source on the application of GAAP to school districts is the Governmental Accounting Standards Board (GASB). The basic accounting principles are explained in detail in the Codification of Governmental Accounting and Financial Reporting Standards published by GASB. In Statement 1, GASB sets forth the authoritative status of the Statements and Interpretations promulgated by financial reporting guidelines contained in the Industry Audit Guide, Audits of State and Local Governmental Units (revised edition), issued by the American Institute of Certified Public Accountants (AICPA) in 1988. These pronouncements will remain in force until altered, amended, supplemented, revoked, or superseded by subsequent GASB pronouncements.

5-0110.10 AUTHORITATIVE SOURCES OF GAAP (Cont'd)

To assure school districts comply with GAAP and to clarify application of GAAP when necessary, the Superintendent of Public Instruction establishes uniform accounting and reporting policies for all school districts. This will be accomplished through the issuance of the Montana School Accounting Manual and subsequent updates. In the absence of policy from the Superintendent of Public Instruction, the hierarchy of GAAP set forth in GASB Statement 1 should be followed. This hierarchy is as follows:

1. Pronouncements of the Governmental Accounting Standards Board (GASB);
2. Pronouncements of the Financial Accounting Standards Board (FASB).
3. Pronouncements of bodies composed of expert accountants that follow a due process procedure, including broad distribution of proposed accounting principles for public comment, for the intended purpose of establishing accounting principles or describing existing practices that are generally accepted;
4. Practices or pronouncements that are widely recognized as being generally accepted because they represent prevalent practice in a particular industry or the knowledgeable application to specific circumstances of pronouncements that are generally accepted;
5. Other accounting literature.

5-0110.20 FOCUS OF GAAP

The primary focus during the implementation of generally accepted accounting principles shall be accounting methods and internal financial reporting.

Each district's accounting methods shall provide information to present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups of the district in conformity with generally accepted accounting principles, except that for budgetary control purposes, encumbrances may be recorded as expenditures in the accounting records.

5-0110.30 BASIS OF ACCOUNTING

All school districts will use the generally accepted basis of accounting for each fund as set forth by the Governmental Accounting Standards Board to measure the district's financial position and results of financial operations. School districts shall be permitted to maintain the accounting system on the cash basis during the year. However, all adjusting entries required to convert the accounting system to the modified accrual or full accrual basis of accounting must be recorded prior to the year-end closing of the accounts.

5-0110.40 CLOSING PERIOD

The time period used after June 30th to determine the actual or estimated amount of all accruals, deferrals, and necessary adjustments existing as of June 30th shall be known as the "closing period."

As required by 20-9-213, MCA, every transaction will be recorded in the appropriate account before the accounts are closed at the end of the fiscal year in order to properly report the receipt, use, and disposition of all money and property for which the district is accountable.

5-0120.00 STATEMENT OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

In 1979, NCGA set forth twelve (12) basic principles of accounting and financial reporting in Statement 1, Governmental Accounting and Financial Reporting Principles. The principles established in Statement 1 are considered generally accepted accounting principles (GAAP) for governmental units by the AICPA and the Association of School Business Officials of the U.S. and Canada (ASBO).

The accounting, budgeting and financial reporting principles for Montana school districts presented in this manual are based on the principles detailed in Statement 1.

Adoption of the accounting principles described here will: (a) Provide uniformity in the presentation and comparison of financial data; (b) Provide reliable financial information to local school boards, county superintendents, the Montana Legislature, and the Office of Public Instruction as a basis for program evaluation and budgetary planning.

The twelve (12) generally accepted accounting principles for school districts and other governmental units are outlined below:

1. Accounting and Reporting Capabilities
2. Fund Accounting Systems
3. Type of Funds
4. Number of Funds
5. Accounting for Fixed Assets and Long-Term Liabilities
6. Valuation of Fixed Assets
7. Depreciation of Fixed Assets
8. Accrual Basis in Governmental Accounting
9. Budgeting, Budgetary Control, and Budgetary Reporting
10. Transfer, Revenue, Expenditure, and Expense Account Classification
11. Common Terminology and Classification
12. Interim and Annual Financial Reports

5-0130.00 EXPLANATION OF GAAP PRINCIPLES

The twelve (12) GAAP principles are explained below:

5-0130.01 ACCOUNTING AND REPORTING CAPABILITIES

A school district accounting system must make it possible both: (a) To present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups of the school district in conformity with generally accepted accounting principles; and (b) To determine and demonstrate compliance with finance-related legal and contractual provisions.

Adherence to GAAP standards ensures financial information will be based on consistent measurement and classification criteria. Information will be comparable between districts and between years within the same district.

A school district may maintain the accounting system on the cash basis during the year, however all adjusting entries required to convert the system to the modified accrual or full accrual basis of accounting must be recorded prior to the year-end closing of accounts.

All school districts will be required to prepare internal financial reports for the Office of Public instruction. Annual financial statements for presentation to external users based on GAAP may be issued at the discretion of each school district.

5-0130.02 FUND ACCOUNTING SYSTEMS

A school district accounting system should be organized and operated on a fund basis.

A **"fund"** is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. Each fund must be accounted for such that its resources, obligations, revenues and expenditures or expenses, and fund equities are segregated (not physically, but in accounting treatment) from other funds.

5-0130.03 TYPES OF FUNDS

Montana school districts will use the following fund types and account groups:

Governmental Funds

- a. The General Fund
- b. Special Revenue Funds
- c. Capital Projects Funds
- d. Debt Service Funds

Proprietary Funds

- e. Enterprise Funds
- f. Internal Service Funds

Fiduciary Funds

- g. Trust and Agency Funds

Account Groups

- h. General Fixed Assets Account Group
- i. General Long-Term Debt Account Group

The funds and account groups are explained below:

GOVERNMENTAL FUNDS

General Fund is used to account for all financial resources except those specifically required by law to be accounted for in another fund.

01 General Fund

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditure for specified purposes.

Budgeted Special Revenue Funds:

10	Transportation Fund
11	Bus Depreciation Reserve Fund
13	Tuition Fund
14	Retirement Fund
17	Adult Education Fund
19	Nonoperating

5-0130.03 TYPES OF FUNDS (Cont'd)

Nonbudgeted Special Revenue Funds:

12	School Foods Fund
15	Miscellaneous Programs Fund

18	Traffic Education
20	Lease-Rental Fund
21	Compensated Absence Fund
24	Metal Mines Tax Reserve Fund
25	Mining Impact Fund
26	Impact Aid Fund
27	Litigation Reserve Fund
28	Technology Fund

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and Trust Funds).

60	Building Fund
61	Building Reserve Fund

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

50	Debt Service Fund
51	Judgment Fund

PROPRIETARY FUNDS

(Note: Proper accounting and financial reporting for proprietary operations requires increased technical accounting knowledge. If proprietary and nonexpendable trust fund types must be used, the district may consult the Office of Public Instruction for assistance.)

Enterprise Funds are used to account for operations: (1) that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

70	Day Care/Preschool
71	Industrial Arts Fund
72	Enterprise (Other)

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

73	Data Processing Fund
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74	Purchasing Fund
75	Central Transportation Fund
76	Instructional Material Fund
77	Miscellaneous Internal Service Fund
78	Self Insurance Fund - Health
79	Self Insurance Fund - Liability

5-0130.03 TYPES OF FUNDS (Cont'd)

FIDUCIARY FUNDS

Trust and Agency Funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (1) Expendable Trust Funds, (2) Nonexpendable Trust Funds, (3) Pension Trust Funds, and (4) Agency Funds.

Trust Funds

81	Endowment Fund
82	Interlocal Agreement/Special Education Cooperative
84	Extracurricular Fund
85	Trust-Miscellaneous

Agency Funds

86	Payroll Clearing Fund
87	Claims Clearing Fund
88	Investment Earnings Clearing Fund
89	Retirees' Insurance Fund
90-94	Agency A B C D E Funds
95	Deferred Compensation Fund (IRC 457 and 125 Plans)

ACCOUNT GROUPS

Used to account for and control general fixed assets and unmatured principal of general long-term debt.

98	General Fixed Assets Account Group
99	General Long-Term Debt Account Group

5-0130.04 NUMBER OF FUNDS

A school district should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established, however, since unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.

5-0130.05 ACCOUNTING FOR FIXED ASSETS AND LONG-TERM LIABILITIES

A clear distinction should be made between: (a) fund fixed assets and general fixed assets; and (b) fund long-term liabilities and general long-term debt.

- a. Fixed assets related to specific proprietary funds or Trust Funds should be accounted for through those funds. All other fixed assets of a governmental unit should be accounted for through the General Fixed Assets Account Group.
- b. Long-term liabilities of proprietary funds and Trust Funds should be accounted for through those funds. All other unmatured general long-term liabilities of the governmental unit should be accounted for through the General Long-Term Debt Account Group.

General long-term debt is not limited to bonds, warrants, notes, etc. It also includes long-

term authority rentals, lease-purchase agreements, installment purchase contracts, judgements and claims, and accumulated unpaid vacation, sick leave and employee benefit amounts payable upon termination.

Interest payable in future years is not recorded in the General Long-Term Debt Account Group, but notes to the financial statements should disclose principal and interest debt

5-0130.05 ACCOUNTING FOR FIXED ASSETS AND LONG-TERM LIABILITIES (cont'd)

service requirements to maturity, initial dates of obligation, original amounts, interest rates, and details concerning assets pledged as collateral.

5-0130.06 VALUATION OF FIXED ASSETS

Fixed assets should be accounted for at cost or, if the cost is not practicably determinable, at estimated cost. Donated fixed assets should be recorded at their estimated fair market value at the time received.

5-0130.07 DEPRECIATION OF FIXED ASSETS

- a. Depreciation of general fixed assets should not be recorded in the accounts of governmental funds. Depreciation of general fixed assets may be recorded in cost accounting systems or calculated for cost finding analyses, and accumulated depreciation may be recorded in the General Fixed Assets Account Group.
- b. Depreciation of fixed assets accounted for in proprietary funds and nonexpendable trust funds should be recorded in the accounts of those funds. Depreciation is also recognized in those Trust Funds where expenses, net income, and/or capital maintenance are measured.

5-0130.08 ACCRUAL BASIS IN GOVERNMENTAL ACCOUNTING

The modified accrual or accrual basis of accounting, as appropriate, should be utilized in measuring financial position and operating results.

- a. Modified Accrual Basis

Governmental, Expendable Trust, and Agency Funds should use the modified accrual basis of accounting. Revenues should be recorded in the accounting period in which they become measurable and available. Measurable means the amount can be determined or reasonably estimated. Available means the revenue will be received within 60 days after the fiscal year end. Expenditures for personal property should be recorded in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should generally be recorded when due. Transfers should be recorded in the accounting period in which the interfund receivable and payable arise.

For budgetary purposes, if a district has encumbrances outstanding at fiscal year end which meet specific criteria set by law, the district may record these outstanding obligations as expenditures and create a fund equity Reserve for Encumbrances. The reserve will be reported on the balance sheet. GAAP expenditures do not include encumbrance items.

b. Accrual Basis

Proprietary, Nonexpendable Trust, and Pension Trust Funds should use the accrual basis of accounting. Revenues should be recognized in the accounting period in which they are earned and become measurable; expenses should be recognized in the period incurred, if measurable. Transfers should be recognized in the accounting period in which the interfund receivable and payable arise.

5-0130.09 BUDGETING, BUDGETARY CONTROL, AND BUDGETARY REPORTING

An annual budget should be adopted by every school district. State law requires formal budgets be approved for the General Fund (01), Nonoperating Fund (19), Transportation Fund (10), Bus Depreciation Reserve Fund (11), Tuition Fund (13), Retirement Fund (14), Adult Education Fund (17), Debt Service Fund (50), and Building Reserve Fund (61). A district may budget other funds if needed.

"Budgetary accounting" is encouraged, although not required. The accounting system should provide the basis for appropriate budgetary control.

Financial statements and schedules for governmental funds for which an annual budget has been adopted should include comparisons between budgeted and actual activities of the funds.

5-0130.10 TRANSFER, REVENUE, EXPENDITURE, & EXPENSE ACCOUNT CLASSIFICATION

Interfund transfers and proceeds of general long-term debt issues should be classified separately from fund revenues and expenditures or expenses.

Revenues should be recorded on accounting records by fund and source. Expenditures should be recorded by fund, program, function, and object of expenditure.

Proprietary fund revenues and expenses should be classified in essentially the same manner as those of similar business organizations, functions, or activities.

5-0130.11 COMMON TERMINOLOGY AND CLASSIFICATION

A common terminology and classification should be used consistently throughout the budget, the accounts, and the financial reports of each fund.

5-0130.12 INTERIM AND ANNUAL FINANCIAL REPORTS

Appropriate interim financial statements and reports of financial position, operating results, and other pertinent information should be prepared to facilitate management control of financial operations, legislative oversight, and, where necessary or desired, for external reporting purposes.

According to Statement 1, a comprehensive annual financial report (CAFR) covering all funds and account groups of the school district—including appropriate combined, combining, and individual fund statements; notes to the financial statements; schedules; narrative explanations; and statistical tables—should be prepared and published by each governmental unit. Preparation of an annual CAFR is encouraged but not required for Montana school districts.

General purpose financial statements (GPFS) are considered the minimum acceptable financial statements necessary for a fair presentation of the financial condition of the district in accordance with GAAP.

5-0200.00 REVENUES AND RECEIVABLES

5-0210.00 INTRODUCTION

5-0210.10 DEFINITIONS

"Modified Accrual" is the process of recording revenues when measurable and available, regardless of whether cash has been received. Accrual of revenue generally causes increases to be recorded in **revenue** accounts with corresponding increases recorded in **receivable** accounts.

"Accrued Revenues" are financial resources applicable to the current accounting period but which will not be received in cash until a subsequent accounting period.

"Deferred Revenues" are: 1) Amounts which should be recorded as receivables, but which do not meet criteria for revenue recognition as discussed in section 5-0210.20; and 2) Material amounts received prior to normal time of receipt. For example, property taxes or other revenues collected in advance of the fiscal year to which they apply should be recorded as deferred revenues until recognized as revenue of the period to which they apply.

"Cash Basis" is a method of accounting in which revenues are recorded only when cash is received and expenditures are recorded only when cash is paid.

5-0210.20 BASIC ACCOUNTING PROCEDURES

GAAP requires that revenues of governmental and expendable trust fund types be recorded in an accounting period if "measurable" and "available" to finance current operations. This is the modified accrual basis of accounting.

"Measurable" means the amount of revenue is known or can be reasonably estimated.

"Available" means the revenue is expected to be received in cash in the current period or soon enough thereafter to pay liabilities of the current period. Revenue received in cash by June 30 or expected to be received in July or August is considered available at fiscal year-end.

School districts may keep records on a cash basis throughout the year, but appropriate entries must be made at fiscal year end to adjust the accounting records to the modified accrual basis. Most financial activity of the school district will occur in the governmental fund types, to which the modified accrual basis applies. For that reason, the accounting entries for revenues shown in this section of the manual assume the modified accrual basis is used.

GAAP requires that revenues of proprietary and nonexpendable trust funds be recorded in an accounting period if "measurable." This is the accrual basis of accounting.

5-0220.00 PROPERTY TAX REVENUES

5-0220.10 BASIC ACCOUNTING PROCEDURES

A. Collected Taxes

Property taxes are usually a major source of a school district's revenues. Normally taxes are recorded as revenues upon receipt of the County Treasurer's monthly report. Accounting entries are recorded which increase the cash account and revenue accounts in the same amount (cash basis of accounting).

B. Uncollected Taxes

According to GAAP, uncollected taxes which are due by the end of the fiscal year and expected to be received within 60 days after June 30th may be recorded as revenues. However, due to the difficulty estimating the amount of uncollected taxes which will be received 60 days after the end of the fiscal year, **the recommended procedure for Montana schools will be to record all uncollected taxes at the end of the fiscal year as deferred revenues.** School districts are not required to record financial activity relating to taxes receivable on a monthly basis.

5-0220.20 TAXES RECEIVABLE

Taxes receivable are unpaid or uncollected taxes. The amount of taxes receivable or uncollected taxes will be reported to the school district by the county treasurer at the end of the fiscal year. Real estate taxes may be delinquent or unpaid for three years while personal property taxes may be delinquent or unpaid for up to ten years. If taxes are not paid within the legal time limits, the property is sold with proceeds distributed to the school district as if the taxes had been paid.

School districts will record the amounts of taxes receivable reported by the county treasurer at June 30th as deferred revenue as shown in section 5-0220.30, "RECORDING PROPERTY TAXES."

5-0220.21 DISTRIBUTION OF TAXES RECEIVABLE

Some county treasurers will report to the district the total amount of taxes receivable on a district wide basis rather than on a fund by fund basis. In these cases, the school district clerk will distribute the total of taxes receivable for the district to each of the respective funds based on tax levies. An example of the distribution method is shown below:

Taxes receivable on June 30th as reported by the county treasurer:

1999 Personal Property Taxes Receivable	\$100,000
1999 Real Estate Taxes Receivable	\$100,000
1998 Protested Real Estate Taxes Receivable	\$100,000

Real estate taxes are billed by the county in November and May. The taxes collected are normally distributed monthly to each taxing jurisdiction based on the number of mills levied by that entity. In this example, the 1999 real estate taxes are distributed according to the 1998-99 fiscal year mill levies established in August, 1998. Personal property taxes are normally billed in January. In this example, the 1999 personal property taxes (billed January, 1999) are distributed according to the 1997-98 fiscal year levies, using the mill levies established in August, 1997.

5-0220.21 DISTRIBUTION OF TAXES RECEIVABLE (Cont'd)

A simple rule used to determine which levy to use to distribute the taxes is shown below:

Distribute REAL estate taxes using the levies of the earlier year of the fiscal year of the taxes:

1998-99 Mill Levies -- Use to distribute 1999 Real Estate Taxes

Distribute PERSONAL property taxes using the levies of the second year of the fiscal year of the taxes:

1997-98 Mill Levies -- Use to distribute 1999 Personal Property Taxes

Protested taxes receivable should be distributed to funds based on the same levies which would apply if the taxes were not protested. If the county treasurer's report does not show the composition of the protested taxes receivable amount at June 30, the district should contact the treasurer's office to determine the amount of taxes protested by year and type.

1999 PERSONALS:	97-98 LEVY	% OF TOTAL	AMOUNT PER CO TREAS	DIST'N TO FUNDS
GENERAL	50.00	.87	\$100,000	\$87,000
TRANSPORTATION	2.00	.04	\$100,000	\$ 4,000
DEBT SERVICE	5.00	.09	\$100,000	\$ 9,000
1999 PERSONALS	57.00	1.00		\$100,000

1999 REALS:	98-99 LEVY	% OF TOTAL	AMOUNT PER CO TREAS	DIST'N TO FUNDS
GENERAL	60.00	.90	\$100,000	\$90,000
TRANSPORTATION	2.00	.03	\$100,000	\$ 3,000
DEBT SERVICE	5.00	.07	\$100,000	\$ 7,000
1999 REALS	67.00	1.00		\$100,000

1998 PROTESTED:	97-98 LEVY	% OF TOTAL	AMOUNT PER CO TREAS	DIST'N TO FUNDS
GENERAL	40.00	.85	\$100,000	\$85,000
TRANSPORTATION	2.00	.04	\$100,000	\$ 4,000
DEBT SERVICE	5.00	.11	\$100,000	\$11,000
1998 REALS	47.00	1.00		\$100,000

5-0220.30 RECORDING PROPERTY TAXES

The following journal entries show a simple method of accounting for property tax revenue. Record taxes as revenue when collected during the year and record taxes receivable as deferred revenues at fiscal year-end. Alternatively, districts may record tax revenues using other accounting procedures which produce the same year-end result (i.e. revenues will equal taxes collected and deferred revenues related to taxes will equal taxes receivable).

When current year taxes are levied, no entry is necessary.

To record the current or delinquent taxes collected and reported monthly by the county treasurer:

Debit: 101	Cash
Credit: 402	Revenues

Revenue Subsidiary Ledger
XXX-1110 through 1190 Any appropriate tax revenue source
(To record taxes collected.)

At fiscal year-end, to record taxes receivable: Taxes receivable as of June 30 will be reported to the district by the county treasurer on the June report. Record this entry in each levied fund.

Debit: 120	Taxes Receivable - Real	\$ 90,000
Debit: 130	Taxes Receivable - Personal/Mobile Homes	\$ 87,000
Debit: 140	Taxes Receivable - Other Taxes	\$ 3,000
Debit: 150	Taxes Receivable - Protested	\$ 85,000
Credit: 680	Deferred Revenues	\$ 265,000

(To record taxes receivable reported by the county treasurer at June 30th as deferred revenue.)

The entry to record taxes receivable is required only at year-end. It results in proper balances on the accounting records for taxes receivable (asset) and deferred revenue (treated as a liability) for financial reporting on the Trustees' Financial Summary and financial statements. (NOTE: Balance sheet accounts 129, 139, 149, and 159 Allowance for Uncollectible Taxes are not required.)

At the beginning of the next fiscal year: Reverse the previous entry so the taxes receivable and related deferred revenue accounts have a zero balance.

Debit: 680	Deferred Revenues	\$265,000
Credit: 120	Taxes Receivable - Real	\$ 90,000
Credit: 130	Taxes Receivable - Personal/Mobile Homes	\$ 87,000
Credit: 140	Taxes Receivable - Other Taxes	\$ 3,000
Credit: 150	Taxes Receivable - Protested	\$ 85,000

(To reverse the entry made the previous June 30 to record taxes receivable and deferred revenues.)

The entry to reverse the taxes receivable from the accounting records reduces the taxes receivable balance to zero on the district's books. **The district is not required to account for the subsequent changes in taxes receivable during the year.** The district will record the taxes receivable balance only at fiscal year-end using the balances reported to the district by the June county treasurer's report for that year. **At the beginning of each fiscal year, reverse the taxes receivable balances recorded at the previous fiscal year-end.**

5-0220.40 TAXREFUNDS

Occasionally, taxes are refunded to taxpayers due to mistakes in assessments, appraisals, or other reasons. Montana law also provides that any illegally collected tax be refunded to the taxpayer. Tax refunds are usually made by the county treasurer upon the proper authorization from the County Tax Appeal Board or the Department of Revenue.

When taxes are refunded, the county treasurer's monthly collection report will show a decrease in cash and a decrease in tax revenue. Although cash has been paid out, tax refunds should not be recorded as expenditures. **A tax refund is a revenue abatement (i.e. reduction of revenue), not an expenditure.**

Tax refunds are usually small in amount and immaterial compared to the total tax revenue collected. The usual practice is to record the amount of **net taxes collected** (normal tax collections less tax refunds) reported by the county treasurer as revenue. Consequently, no special accounting entries are necessary and the clerk will record the net taxes collected as shown in 5-0220.30 above.

However, if the tax refund is a material amount and relates to taxes collected in a prior fiscal year, GAAP require the amount be reported on the financial statements as a prior year adjustment to beginning fund balance. To determine whether or not a tax refund is material, check to see if the amount of the refund is 5% or more of the anticipated ending fund balance of the affected fund. The school district should also consult its auditor to determine if the refund is material.

If the tax refund is material and relates to a prior fiscal year, the amount should be recorded in the revenue account 6100-Material Prior Period Revenue Adjustments and reported as a prior period adjustment to beginning fund balance on the Trustees' Annual Financial Summary and financial statements presented in accordance with GAAP. This will assure that the tax refund will not distort the amount of tax revenue reported for the current year.

5-0220.50 PROTESTED TAXES

Taxes paid under protest are held in the County Protested Tax Fund and are not usually distributed to a school district until a court judgement is made. The county treasurer transfers the amount of the taxes paid under protest from the regular taxes receivable account to the protested taxes receivable account. This indicates that the taxes are due from the County Protested Tax Fund rather than the taxpayer.

Normally, school districts will record the amount of protested taxes receivable reported by the county treasurer at June 30th as deferred revenue as shown in section 5-0220.30.

5-0220.60 PROTESTED TAX SETTLEMENTS BY JUNE 30

In certain cases the district will learn of **material** court judgements on protested taxes (e.g. Burlington Northern protests) which will result in a substantial distribution of taxes to the district. If the ruling occurs before June 30, the district should accrue or record the amount of the distribution as revenue in the current year IF the amount is either known or can be reasonably estimated AND if the district expects to receive the distribution soon enough after June 30 to pay the liabilities of the current year (i.e. within approximately 60 days). Note that immaterial settlements of protested taxes will be recorded as revenue along with other tax distributions when received. **The following procedure is for material settlements before June 30 which have not been received in cash by June 30.**

5-0220.60 PROTESTED TAX SETTLEMENTS BY JUNE 30 (Cont'd)

At fiscal year-end, to record taxes receivable: Record the amount shown as taxes receivable on the county treasurer's June report as deferred revenue. The amount of protested taxes receivable which has been settled and will be distributed to the district in the next fiscal year should be recorded as taxes receivable and revenue. The settlement amount is considered measurable and available. For example, assume the taxes receivable in the General Fund are as follows: Real Property Taxes Receivable \$45,000; Personal Property Taxes Receivable \$37,000; Protested Taxes Receivable \$20,000. The settlement on June 26 was \$12,000 and is expected to be received by the district in July or August.

General Fund (01)

Debit: 120	Taxes Receivable-Real	\$45,000
Debit: 130	Taxes Receivable-Personal/Mobile Home	\$37,000
Debit: 150	Taxes Receivable-Protested	\$20,000
Credit: 680	Deferred Revenue	\$90,000
Credit: 402	Revenue	\$12,000

Revenue Subsidiary Ledger

X01-1117	District Levy--Distribution of Prior Year's Taxes	\$12,000
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(To record the year-end taxes receivable and the material settlement of protested taxes. If penalties and interest are included in the settlement, record them under revenue source 1190. Revenue source 1117 is for material settlements only; if immaterial delinquent and protested taxes are collected during the year, record them as revenue under source 1110.)

In the next fiscal year, to reverse the deferral of revenue for taxes receivable: Reverse a portion of the entry above.

General Fund (01)

Debit: 680	Deferred Revenue	\$90,000
Credit: 120	Taxes Receivable-Real	\$45,000
Credit: 130	Taxes Receivable-Personal/Mobile Home	\$37,000
Credit: 150	Taxes Receivable-Protested	\$ 8,000

(To reverse deferred revenue recorded for taxes receivable. The portion of protested taxes receivable recorded as revenue in the previous year remains in the 150 account until collected as shown in the next entry.)

To record the receipt when the settlement is received early in the next fiscal year:

Debit: 101	Cash	\$12,000
Credit: 150	Protested Taxes Receivable	\$12,000

(To record actual distribution of a favorable protested tax settlement. No entry was made to revenue since the amount was recorded as revenue in the previous fiscal year.)

5-0230.00 NON-TAX REVENUES

5-0230.10 BASIC ACCOUNTING PROCEDURES

Non-tax revenues for school districts include, but are not limited to, Federal and state grants, state payments, equalization aid, lunch ticket sales, and miscellaneous district collections. Telephone and electric cooperative refunds or "capital credits" should be accounted as an expenditure refund. See Topic 5-0350.20 for more information.

The following journal entries show the suggested method for recording revenues from sources other than property taxes. Revenues are usually recorded when the county treasurer's monthly report is received. At year-end, the district must adjust revenues of governmental type funds to the modified accrual basis. Alternatively, districts may record non-tax revenues during the year using another method which produces the same year-end results in the accounts as the method shown here.

5-0230.20 RECORDING NON-TAX REVENUES

Journal entries for general non-tax revenues are shown below. Entries for specific types of non-tax revenues are shown in later sections. See Topic 5-0250.00.

To record non-tax revenues reported by the county treasurer:

Debit: 101 Cash
Credit: 402 Revenues

Revenue Subsidiary Ledger

XXX-1310 through 5700 Any appropriate revenue source

(To record cash receipt of non-tax revenues. This entry assumes the revenue was not previously recorded as a receivable.)

At fiscal year-end, for revenues which meet the measurable and available criteria in section 5-0210.20, "BASIC ACCOUNTING PROCEDURES.":

Debit: 170, 180, 190, etc. Any Current Receivable
Credit: 420 Revenues

Revenue Subsidiary Ledger

XXX-1310 through 5700 Any appropriate revenue source

(To record non-tax revenue and the related receivable at fiscal year end.)

Receipt of non-tax revenue previously recorded as receivable:

Debit: 101 Cash
Credit: 170, 180, 190, etc. Any Current Receivable

(To record receipt of amounts recorded as receivables and revenue in the previous fiscal year. This entry would be needed either when cash is received during the year for items you recorded in the current year as accounts receivable and revenue, or when cash is received in the next year for items you recorded as accounts receivable and revenue in a year-end accrual entry.)

5-0240.00 REVENUES FROM FEDERAL AND STATE GRANTS

For Federal and state grants, the district should record revenue in the fiscal year in which expenditures are recorded. Project reporter numbers should be used when recording revenues and expenditures of federal and state grants.

There are two ways the grantor may distribute grant money to district grantees. Normally, grants received by school districts in Montana are distributed in advance of grant expenditures. Other grants may require the district to claim reimbursement for grant expenditures.

During the year, school districts normally record revenues upon receipt of the county treasurer's monthly report. An exception may need to be made to this procedure for federal or state grant revenue if the treasurer's monthly report is late. Districts should record grant revenues upon receipt of notification from OPI or other grantor that a grant payment has been sent to the county treasurer. This procedure may be necessary to ensure the district will be able to file federal and state financial reports on a timely basis.

Districts may record grant revenue when cash is received and adjust grant revenues at fiscal year-end to equal the grant expenditures recorded in the current fiscal year. At year-end, the district will either have expended an amount for which it anticipates the grantor will reimburse the district, or will have received funds which will not be expended until the next fiscal year. Districts should record revenue for unreimbursed expenditures from Federal and state grants and should defer the unexpended balance of revenues received in advance.

Federal and state grants are considered revenues in the fiscal year they are expended.

Section 20-9-507, MCA requires federal or state grant money, except PL81-874 Federal Impact Aid and any grants designated for deposit in a specified fund of the district, must be deposited in the Miscellaneous Programs Fund (15).

NOTE: Federal Impact Aid (PL81-874) money is an entitlement, rather than a federal grant, and as such is not subject to accounting procedures discussed in this section. Record PL-874 revenue when it is measurable and available. **Do not** adjust for deferred revenue or reimbursable expenditures as shown for regular grants in the following sections.

5-0240.10 RECORDING STATE AND FEDERAL GRANT REVENUES

5-0240.20 ADVANCE-TYPE GRANTS

Most grants received by Montana school districts are distributed in advance of grant expenditures. If the grant closes June 30, unspent grant receipts must be refunded to the grantor. If the grant closes later than June 30, usually September 30, the unspent grant receipts at June 30 may still be spent in the next fiscal year. However, GAAP requires that grant revenues be recorded in the year the money is spent. For that reason, unspent grant receipts at June 30 which were previously recorded as revenue when received must be removed from current revenue and recorded either as a payable to the grantor or as a deferred revenue, which will be spent in the next fiscal year. The entries below show accounting procedures for both situations.

To record cash received for advance-type grants during the year:

Debit: 101	Cash	\$50,000
Credit: 402	Revenue	\$50,000
Revenue Subsidiary Ledger		
XXX-XXXX	Any appropriate revenue source	\$50,000

(To record receipt of Federal or state grant cash revenue.)

5-0240.20 ADVANCE-TYPE GRANTS (Cont'd)

At fiscal year-end, to adjust revenue for unspent grant money of a June 30 closing grant: Unspent grant money must be refunded to the grantor when the grant closes. Record the amount due to the grantor as a reduction of grant revenue and a liability. For example, assume the district received \$50,000 in grant revenue in the current year, expended \$48,000, and owed the grantor a refund of the \$2000 unspent at June 30.

Debit: 402	Revenues	\$2000
Credit: 611	Due to Other Governments	\$2000

Revenue Subsidiary Ledger

XXX-XXXX Source used to record the receipt of grant revenue (\$2000)

(To record the reduction of grant revenue which will be refunded to the grantor. This entry assumes the district previously recorded this money as revenue of the current year. **NOTE: This section only pertains to unspent grant revenue required to be refunded. For refunds required because of disallowed costs discovered in audits, etc., contact grant accountants or GAAP accounting at OPI.** If the refund was issued to the grantor by June 30, there is no liability to the grantor; reduce revenue and credit 620 Warrants Payable or 101 Cash to record the payment.)

To record the refund paid to the grantor in the next fiscal year for the liability recorded in the entry above:

Debit: 611	Due to Other Governments	\$2000
Credit: 101	Cash	\$2000

(To record the refund payment to the grantor.)

At fiscal year-end, to adjust revenue for a grant which closes later than June 30: Generally, the balance of Federal and state grant moneys received in advance of expenditures must be recorded as deferred revenue at fiscal year end. For example, assume the district spent \$48,000 of the \$50,000 received. The unspent receipts will be spent in the next fiscal year.

Debit: 402	Revenues	\$2000
Credit: 680	Deferred Revenues	\$2000

Revenue Subsidiary Ledger

XXX-XXXX Source originally recorded when cash was received (\$2000)

(To reduce grant revenue and record deferral of the revenue for advances on grants from the Federal or state government. This entry assumes the receipt of cash was recorded as revenue during the current year.)

In the next fiscal year, to reverse the deferral entry above:

Debit: 680	Deferred Revenues	\$2000
Credit: 402	Revenues	\$2000

Revenue Subsidiary Ledger

XXX-XXXX Any appropriate grant revenue source \$2000

(To reverse the deferral of revenues for grant money received in advance of expenditures. This entry reduces the deferred revenue balance to zero and records the grant money as revenue in the current year.)

5-0240.20 ADVANCE-TYPE GRANTS (Cont'd)

To record a mid-year refund of a grant which closed during the current year: For example, assume the district did not spend \$1500 of IDEA-PART B funds for the project ended September 30. Assume the \$1500 was previously recorded as revenue for the current year. In November, the refund must be paid.

Debit: 402	Revenue	\$1500
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Credit: 620 or 101	Warrants Payable or Cash	\$1500
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Revenue Subsidiary Ledger

XXX-4560-333	IDEA-PART B	(\$1500)
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(To reduce the grant revenue because the amount must be refunded to the grantor. Only the amount of revenue spent within the current year is shown as current revenue according to GAAP.)

To record the refund of unspent grant money for a grant which closed in a previous year: Refunds to grantors should be made in a timely manner. However, if it is necessary to refund unspent grant money which was recorded as grant revenue in a prior year, the district should record an adjustment to beginning fund balance by recording a reduction of revenue source 6100 Material Prior Period Revenue Adjustments. For example, assume a grant from the prior fiscal year closed September 30. The unspent portion of the grant was \$4,500 and had been recorded as revenue in that year. The money was not refunded to the grantor due to an error. The district refunded the amount to the grantor in the next fiscal year.

Debit: 402	Revenue	\$4,500
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Credit: 620 or 101	Warrants Payable or Cash	\$4,500
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Revenue Subsidiary Ledger

XXX-6100-XXX	Material Prior Year Revenue Adjustments	(\$4,500)
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(To record the reduction of prior year revenue. Note the project reporter which identifies the original grant award. An **immaterial refund** may be recorded as a reduction of the revenue source originally used for the grant revenue.)

5-0240.30 REIMBURSEMENT-TYPE GRANTS

Grants for which the district must claim reimbursement for grant expenditures are considered reimbursement-type grants.

The following entries apply if the district has expenditures which will be reimbursed by the program. If the expenditures will not be reimbursed because the expenditures were not allowable or the district overexpended the grant award amount, the procedures below do not apply. The district must absorb the unreimbursable costs into the General Fund budget for the current year.

To record the receipt of cash during the year for reimbursement-type grants:

Debit: 101	Cash	\$19,000
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Credit: 402	Revenue	\$19,000
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Revenue Subsidiary Ledger

XXX-XXXX	Any appropriate grant revenue source	\$19,000
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(To record receipt of Federal or state grant cash.)

At fiscal year-end, determine the amount of unreimbursed expenditures for which the district expects to receive reimbursement from the grantor. If the exact amount cannot be determined, use prior experience to reasonably estimate the reimbursement amount. Document the basis for your estimate to provide an audit trail.

5-0240.30 REIMBURSEMENT-TYPE GRANTS (Cont'd)

At fiscal year-end, to record reimbursable grant revenue: For example, assume the district's expenditures are \$20,000 for the grant for the current year. Cash received and recorded as revenue during the year totalled \$19,000 as of June 30. The district submitted a claim for \$1000 (\$20,000 - \$19,000).

Debit: 180	Due from Other Governments	\$1000
Credit: 402	Revenue	\$1000

Revenue Subsidiary Ledger

XXX-XXXX	Any appropriate grant revenue source	\$1000
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(To accrue Federal or state grant revenue for amounts expended but not reimbursed as of June 30. This entry results in equalizing grant revenue and expenditures on the accounting records.)

To record the reimbursement received in the next year: Assume the accrued grant revenue was \$1000 and the receipt is \$1000.

Debit: 101	Cash	\$1000
Credit: 180	Due from Other Governments	\$1000

(To record receipt of reimbursement for grant expenditures recorded in the previous year, for which revenue was accrued in the previous year.)

To record the reimbursement received in the next year if the reimbursement is less than accrued: Record the deficit as a reduction of current revenue. For example, assume only \$900 was received for an accrual of \$1000.

Debit: 101	Cash	\$ 900
Debit: 402	Revenue	\$ 100
Credit: 180	Due from Other Governments	\$1000

Revenue Subsidiary Ledger

XXX-XXXX	Revenue source credited last year when the revenue was accrued	(\$ 100)
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(To record the receipt of a grant reimbursement and reduction of grant revenue. IF THE DEFICIT IS MATERIAL, THIS ENTRY SHOULD ADJUST REVENUE SOURCE 6100 MATERIAL PRIOR PERIOD REVENUE ADJUSTMENTS.)

To record the reimbursement received in the next year if the reimbursement is greater than accrued:

Record the excess as current revenue. For example, assume \$1100 was received for an accrual of \$1000.

Debit: 101	Cash	\$1100
Credit: 402	Revenue	\$ 100
Credit: 180	Due from Other Governments	\$1000

Revenue Subsidiary Ledger

XXX-XXXX	Appropriate revenue source	\$ 100
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(To record receipt of grant reimbursement and grant revenue. IF THE EXCESS IS MATERIAL, THIS ENTRY SHOULD RECORD THE REVENUE UNDER SOURCE 6100 MATERIAL PRIOR PERIOD REVENUE ADJUSTMENTS.)

5-0250.00 REVENUES FROM OTHER DISTRICTS/STATE AND COUNTY GOVERNMENTS

Districts may receive revenues from other districts and normally receive revenues from the state and county. Revenues from other districts may include tuition and rental of buildings or facilities. State revenues include State Equalization, State GTB, etc. County revenues include the Transportation and Retirement Distribution. Some county treasurers use all of the OPI revenue source numbers found in Section 3-0500. However, some treasurers simply use a miscellaneous revenue account to account for all non-tax revenue. In this case, it is the responsibility of the business official to code revenues correctly. Be sure to review annual OPI General Fund Budget Overview and Worksheets for instructions on how to budget non-tax revenues.

To record the receipt of revenue from other governments during the year: For example, assume the district's State Equalization is \$400,000 for the year. During the year, \$370,000 is received.

General Fund (01)

Debit: 101	Cash	\$370,000
Credit: 402	Revenue	\$370,000

Revenue Subsidiary Ledger

X01-3110	State Equalization	\$370,000
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(To record the receipt of revenues from another district, the state, or the county.)

At fiscal year-end, if uncollected income attributable to the current fiscal year meets the GAAP criteria for recording revenue as discussed in section 5-0310.20, the district should record revenue and a receivable for the amount due from state, county or other district as shown in the following entry.

At fiscal year end, to record revenue receivable from the state, county, or another district: For example, assume the district has not received the June distribution of State Equalization related to the entry above.

General Fund (01)

Debit: 180	Due from Other Governments	\$ 30,000
Credit: 402	Revenue	\$ 30,000

Revenue Subsidiary Ledger

X01-3110	State Equalization	\$ 30,000
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(To record revenue which is receivable from another government at June 30.)

To record the payment received in the next fiscal year:

General Fund (01)

Debit: 101	Cash	\$ 30,000
Credit: 180	Due from Other Governments	\$ 30,000

(To record receipt of revenue recorded as a receivable and revenue from another government at fiscal year-end. This entry reduces the receivable balance.)

5-0260.00 REFUNDS OF NON-TAX REVENUES

Non-tax revenue refunds will normally be rare and small in amount. The refunds are recorded as reductions of previously recorded revenues ("revenue abatements") from sources other than taxes. For example, if the district issues a refund warrant for lunch tickets after the revenue has been recorded, the refund would be recorded as a reduction of revenue from lunch ticket sales.

A material refund should be recorded as an adjustment to beginning fund balance using source 6100.

5-0260.10 RECORDING NON-TAX REVENUE REFUNDS

Also see section 5-0240.00, "REVENUES FROM FEDERAL AND STATE GRANTS" and section 5-0270.00, "PRIOR PERIOD REVENUE ADJUSTMENTS" for refunds of revenues other than taxes.

To record a refund of non-tax revenue recorded in the current year OR an IMMATERIAL non-tax revenue recorded in the prior year: For example, assume the district issues a refund for lunch tickets. Reduce the revenue which was originally recorded.

School Lunch Fund (12)

Debit: 402	Revenues	\$15
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Credit: 620 or 101	Warrants Payable or Cash	\$15
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Revenue Subsidiary Ledger

X12-1611	Reimbursable Lunch-Daily Sales (Reduce the source of revenue where the receipt was originally recorded) (\$15)	
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(To record the warrant issued to reimburse a student for lunch tickets.)

Rarely will a refund of prior year revenue be material in relation to the fund balance of the affected fund. However, GAAP requires special accounting procedures for material refunds of prior year revenues. OPI suggests an amount which is 5% or more of the anticipated ending fund balance of the affected fund should be considered material. If the amount of a refund of revenue recorded in the prior year is significant, the district must record the refund as an adjustment to beginning fund balance.

To record a material refund of non-tax revenue recorded in the prior year: For example, assume the district must refund State Equalization revenue received in the prior fiscal year. The amount was distributed to the district in error.

Debit: 402	Revenue	\$20,000
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Credit: 620 or 101	Warrants Payable or Cash	\$20,000
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Revenue Subsidiary Ledger

X01-6100	Prior Period Revenue Adjustments	(\$20,000)
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(To record the adjustment of prior year revenue. This entry reduces the 6100 account.)

5-0270.00 RECORDING DIFFERENCES BETWEEN REVENUES ACCRUED AND RECEIVED

In some instances, the amount of revenue received in the next fiscal year will differ from the amount of revenue accrued at fiscal year-end. The method used to record differences is determined by the relative size of the difference. Small or immaterial differences may be credited to a current revenues account or to 6100 Prior Period Revenue Adjustments. Large or material differences must be recorded as adjustments to revenue source 6100 Prior Period Revenue Adjustments. The balance of the 6100 account for each fund must be explained on the annual Trustees' Financial Summary.

5-0270.10 IMMATERIAL DIFFERENCES BETWEEN REVENUES ACCRUED AND RECEIVED

To record the receipt of revenues slightly less than the amount accrued: For example, assume the amount accrued for tuition revenue was \$1000. The correct amount received is \$980.

Debit: 101	Cash	\$ 980
Debit: 402	Revenue	\$ 20
Credit: 180	Due from Other Governments	\$1000
Revenue Subsidiary Ledger		
XXX-1320	School Tuition Within State	(\$ 20)

(To reduce the current year tuition revenue by the immaterial amount overaccrued in the prior year.)

To record the receipt of revenues slightly greater than the amount accrued: For example, assume the State Equalization Aid accrual for June was \$6700 but was accidentally overcalculated. The amount received was \$6750.

Debit: 101	Cash	\$6750
Credit: 402	Revenue	\$ 50
Credit: 180	Due from Other Governments	\$6700
Revenue Subsidiary Ledger		
XXX-3110	State Equalization Aid	\$ 50

(To record the receipt of cash, reduce the receivable recorded at the previous fiscal year-end, and record the excess receipts as current revenue.)

5-0270.20 MATERIAL DIFFERENCES BETWEEN REVENUES ACCRUED AND RECEIVED

To record the receipt of revenue which is materially less than the amount accrued: For example, assume the district accrued \$23,000 for a June State Equalization Aid payment not received by June 30. The accrual should have been for \$2,300. The district received \$2,300.

Debit: 101	Cash	\$ 2,300
Debit: 420	Revenue	\$20,700
Credit: 180	Due from Other Governments	\$23,000
Revenue Subsidiary Ledger		
XXX-6100	Prior Period Revenue Adjustments	(\$20,700)

(To record the cash received, reduce the receivable, and record the adjustment to prior year revenue. The balance of the 6100 account is reported on the Trustees' Financial Summary and on GAAP financial statements as an adjustment to beginning fund balance. The amount does not reduce current revenue. Federal or state grant money should be identified using project reporters.)

To record the receipt of revenue which is materially greater than the amount accrued: For example, assume the district accrued \$170 for a June state school food reimbursement payment not received by June 30. The accrual should have been for \$17,000.

Debit: 101	Cash	\$17,000
Credit: 420	Revenue	\$16,830
Credit: 180	Due from Other Governments	\$ 170
Revenue Subsidiary Ledger		
XXX-6100	Prior Period Revenue Adjustments	\$16,830

(To record the cash received, reduce the receivable, and record the adjustment to prior year revenue. The balance of the 6100 account is reported on the Trustees' Financial Summary and on GAAP financial statements as an adjustment to beginning fund balance. The amount is not included in current revenue. Federal or state grant money should be identified using project reporters.)

5-0280.00 PRIOR PERIOD REVENUE ADJUSTMENTS

GAAP requires that material adjustments of revenue applicable to the prior year must be reported as adjustments to the beginning fund balance in the year of correction. **NOTE: Adjustments shown in this section should rarely be necessary because of the rarity of revenue accruals and material errors.**

Revenues increase the fund balance of the current year. If a district fails to record a material amount of current revenue in the year it should be recorded, the ending fund balance for that year will be understated. The beginning fund balance of the next year is therefore also understated. Likewise, if the district accrues a material amount as revenue in one year which properly belongs in the next year, the ending fund balance (and beginning fund balance of the next year) will be overstated. For that reason, when material adjustments of revenue recorded in a prior year are necessary, the following entries should be used.

To record the receipt of a material amount of revenue applicable to the prior year: For example, assume the district's June state equalization payment of \$20,000 was distributed to another district in error. The payment should have been recorded as revenue in the prior year but was overlooked (i.e., the receivable is zero. Record the receipt as a prior year revenue adjustment.

Debit:	101	Cash	\$20,000
Credit:	402	Revenue	\$20,000

Revenue Subsidiary Ledger

XXX-6100	Material Prior Period Revenue Adjustments	\$20,000
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(To record the receipt of revenue which should have been accrued in the prior year. The adjustment in revenue source 6100 is shown on the Trustees' Financial Summary and GAAP financial statements as an adjustment to beginning fund balance. The amount is not included in current revenue. Federal or state grant money should be identified using project reporters.)

To record the adjustment for revenue recorded in the prior year which was not applicable to that year: For example, assume the district received a payment of \$40,000 of state equalization last year. The distribution was made in error. The amount must be refunded in the current year.

Debit:	402	Revenue	\$40,000
Credit:	620 or 101	Warrants Payable or Cash	\$40,000

Revenue Subsidiary Ledger

XXX-6100	Material Prior Period Revenue Adjustments	\$40,000
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(To record the amount refunded as an adjustment to prior year revenues. The adjustment in revenue source 6100 is shown on the Trustees' Financial Summary and GAAP financial statements as an adjustment to beginning fund balance. The amount does not reduce current revenue. Federal or state grant money should be identified using project reporters.)

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